THE KEY ISSUE AT DISPUTE IN CANADA-U.S. RELATIONS (Part 1)

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Has Canada become economically integrated with the USA?
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Part I

What really is the challenge before our movement on the question of Canada-U.S. Relations? What is the key problem involved from the point of view of Marxist theory? There is always a danger in a discussion which opens up a great many fields of interest and importance that we get swept off the main point at issue.

In a short statement that Marlon and Kent (Ross Dowson pseudonym -ed.) submitted to the discussion while it was on the PC level, now published in Bulletin No. 18, we said that the economic integration of Canada with the United States is taking place. If this economic integration has not already been fully realized, we said that it is very far advanced. We said that we consider Canadian economic integration with the US to be inevitable in the same sense as Engels, in a letter to a friend which we later quoted - that when the time comes the Canadian capitalist class will say Yea and Amen to it. In our opinion that time has come.

In our opinion the phenomenon of an advanced capitalist imperialist nation being economically integrated, in a cold way, with another advanced capitalist and imperialist power is something new and unforeseen, except possibly in an abstract and speculative way, by the Marxist movement. The law of combined and uneven development has been working in respect with the country in which we are committed to wage a showdown struggle for a socialist victory, in a remarkable and unexpected way.

Has Canada become economically integrated with the USA?

Is Canada, capitalist Canada, becoming economically integrated with capitalist United States of America (if it is not already integrated) - or is it not? This is a key question with very wide ramifications for us.

That is the question that is dealt with in the first 13 pages of the PC majority document - before the question of nationalism is even touched upon. Whatever else can be said for this document we agree that this is the correct approach and that it is not correct to barge (as some comrades have already tended to) into the question of nationalism in Canada, an understanding of which above all requires concreteness and specificity to be of real value.

The document of the PC majority starts off with some comments on the third industrial revolution, the interpenetration of trade and investment amongst the imperialist powers on a world scale. It deals with the European Common Market - an attempt by the bourgeoisies of various longstanding European nation-states to protect themselves through tariff arrangements and agreements among European multi-national corporations from the penetration, above all, by US corporate power.

Whatever can be said about the general value of these sections of the document, there is one thing clear - the penetration of US capital into Europe, into Britain, into Australia, New Zealand is not at all on the same scope or scale as it is in Canada. It is not only quantitatively different - it is qualitatively different. In the other cases we are dealing with a matter of degree of influence - with Canada - we are dealing with integration.

In an article on "The Law of Uneven Development" that appeared in issue 59 of New Left Review Ernest Mandel had occasion to discuss the question of the relationship of forces between various imperialist powers. He noted that: "there is

not the slightest evidence to show that US imperialism controls more than 10 percent of the industrial means of production and much less of the financial means of exchange, of any other imperialist power **(with the exception of Canada,** which is indeed a border case)." (Emphasis by RD)

"There is for that reason," he continues, "not the slightest evidence that these powers (France, Britain, or Italy, not to speak of Japan or West Germany) have lost their basic independence as imperialist powers, and have become US semi-colonies."

We might note in passing that earlier in the same paragraph Mandel wrote that: "Such semi-colonial nations only arise when in fact **the key industries and banks in the country are owned or controlled by foreign capitalists, and when for that** reason the State itself fundamentally protects the interests of the foreign imperialist class, as against those of the 'native' bourgeoisie. That is the situation in Greece, Brazil, Ghana or Iran today." *(Emphasis by EM)*.

Ernest Mandel: Canada is "an imperialized imperialist nation"

We should note from our previous contribution in Bulletin 18 that Mandel argued last year on Canadian campuses against any concept that Canada was a colony or semi-colony of the US. At that time he said that he thought the phrase that Canada was an imperialized, imperialist nation "hits the nail right on the head."

Mandel's essay is dated December 1969 - some three years ago. He does not record the information or its source that caused him, while declaring that Canada was an exception to other imperialist powers such as Britain or Japan in its relationship to the US, to qualify it as a "border case." He does not record why he thought that it had not yet slipped over that border which might still separate it from Greece for instance, or Brazil, which he designated semi-colonies of the US.

Information is now available which gives a very clear picture of the dynamics of the US takeover of Canada that has accelerated enormously since we wrote the 1968 convention document.

US direct investment in Canada stood in 1946 at $2.3 billion. In 1963 (probably the figures we had for the 1968 document) it stood at $12.8 billion and in 1971 at $24 billion. In the short space of eight years US direct investment in Canada doubled.

Last month economist Abraham Rotsein ridiculed this figure of $24.03 billion as completely misleading because it represents the book value or purchase price in previous years rather than the present value.

"If we take the market value, that is a drastic understatement. I would say at a conservative guess we are at least into $50 billion if we are to consider the actual value of the assets today." He also added that 80 percent of the financing for expansion of US-owned plants in Canada is coming from Canadian banks and the Canadian capital and bond market.

US relations with Canada are qualitatively different from its relations with any other advanced capitalist power in the world in almost every respect and not just on the facts of US investment in Canada.

We would recall just a few facts which most of us know but might forget in the process of this discussion. The immediately following material is culled from Financial Post - the voice of Bay and St. James Streets - from an article entitled "The Ties that Bind."

Canada's share in US trade is roughly equal to the combined total of that which the next three largest trading nations carry on with the US - Japan, Germany and Britain. The US is the largest buyer of Canadian products and the largest supplier to Canada. About 70% of Canada's imports come from the US and about 68% of Canada's exports go to the US. Canada supplies about 28% of all US imports and takes about 22% of all of US exports.

More than 80% of the interest and dividends paid out of Canada go to the US. About 90% of Canadian payments to foreigners for royalties, patents, copyrights and trade marks go to the US. Americans own a full two thirds of all the patents issued in Canada each year while only about 5% are owned by Canadians.

Canada shares a common border with the US almost 4,000 miles long with more than 250 official points of entry through which in 1971 American residents paid about 38 million visits - about 35 million visits to the US were made by Canadian residents. About 3/4 of the Canadian population lives within 100 miles of that border. During 1971 Americans comprised the largest single group of immigrants. Canada sustains some 17 joint organizations that work out solutions and make recommendations on a multitude of day-to-day problems that involve these two contiguous powers. FP says that they "replace formal arms length diplomatic discussion with chummy we`re-all-professionals-after-all-clubmanship."

The American mass media dominates Canada. In Toronto, the country's largest English-speaking city, the average TV viewer, using an ordinary antenna and not a special cable, can receive, distortion-free, more American stations than Canadian stations. Canadians imported about $215 million worth of books, magazines and other printed materials from the US in 1971 - more than 80% of all such imported materials.

American citizens hold 15% of all teaching and administrative positions in Canadian universities. In sociology and anthropology Americans account for 37% of the university staff, a percentage almost as high as that held by Canadian citizens, 41%.

It is obvious from the above few samples of material that when we come to the question of US relations to Canada we are dealing with a phenomenon totally, qualitatively, different than US relations with any other country in the world - even with what could be undeniably called its colonies or semi-colonies.

While touching on somewhat related matters it is in point 14 of the PC majority document that the question of Canadian integration with the US is most clearly grappled with - under a subtitle "The Limits of Continental Integration."

This section of seven paragraphs very clearly presents the matter of continental integration - but from only one side - from the point of view of Canadian capitalism. Even more important to grasp, it presents the matter of economic integration as a matter of choice before the Canadian capitalist class - as if they have any substantial room to maneuver - as if in some way the matter of "free will" comes into play.

Here is how the choice, the "hard" choice, the document reads, before the Canadian capitalist class is presented; whether to drive ahead "towards full continental economic integration", or on the other hand whether through a "strong and authoritative Canadian state... to promote the health of Canada's economy and of Canadian monopolies vis-à-vis their US and other foreign competitors."

Having posed the fateful choice - it answers in the next one line sentence (before going off in another tack - the question of nationalism). The answer is - "Canadian capitalism cannot resolve this contradiction."

We will be pardoned if we challenge - after being brought to the cross roads - what kind of answer is this? What is the PC majority's answer to this question? If Canadian capitalism cannot solve this contradiction, who or what is going to solve it? Can it be avoided? Is it in the process of being solved and how? Where is Canada going - that is presupposing it is continuing as capitalist for the next period.

Canada is past the point of no return in becoming integrated

We answer that question clearly and unequivocally, Canada is past the point of no return in the process of economic integration with the US. We think that the question has been resolved. If Canadian capitalism cannot resolve it - there are other forces at work - namely US capitalism and they are resolving it for the Canadian capitalist class.

If the PC majority resolution, after posing the question very clearly and sharply in point 14 does not answer it - elsewhere in the document the PC majority does answer it... with its comments on the Canadian nation-state and the role it now or is going to play. This matter of the Canadian state and its role we will have to leave until later.

To underpin their concept, which is actually what they outlined in section 14 as the alternative to "full continental economic integration", the PC majority has presented us with section 13. This section attempts to provide us with facts,

very important facts, that show that the Canadian capitalist class "retain control over key sectors of the economy", "such vital areas as transport and utilities," "domination of key sectors of the economy by private Canadian capital," is in "firm control of the mass media", etc., etc.

This presentation of the Canadian capitalist class as a powerful

capitalist class ruling in its own name and in "domination of key sectors of the economy by private Canadian capital" is buttressed up by four paragraphs which present the Canadian capitalist class as "one of the major colonialist, imperialist powers in the world." Moreover this is made conclusive, unchallengeable by what appears to us to be a most remarkable innovation in the realm of Marxist economic theory (we are dealing here not with an agitational street-corner speech, but a theoretical article). The document separates out Quebec from the rest of Canada of which it is an integral part, and designates it an "internal colony" where "a major share of foreign 'non-resident' capital, probably a majority, is of Anglo-Canadian origin." We will have more to say on this later.

Section 13 is the key section of the document because it attempts to deal with the facts, the economic hard facts of Canadian-US relations, the facts of US capitalist ownership and Canadian capitalist ownership in Canada - the economic facts which we as Marxists know are ultimately decisive. We think the facts, all the facts, prove incontestably that the Canadian and US capitalist and imperialist economies have passed the qualitative point and are integrated with US capitalism in firm control.

How powerful an imperialist nation is Canada?

How strong is the Canadian bourgeoisie? Does the Canadian capitalist class have control over the most highly developed and profitable sectors of the economy - having squeezed US capital into the less highly developed and less profitable sectors? Has the Canadian bourgeoisie penetrated the United States itself (oh sweet revenge) to establish giant holdings there? What about their imperialist holdings in the Caribbean and across the globe? Is the Canadian bourgeoisie among the most powerful imperialist bourgeoisies of the world? What are the facts about many of the so-called Canadian-owned industries?

What about Bell (Canada), said to be Canada's largest private corporation in assets - the biggest single Canadian-owned monopoly? What about Canada's "powerful iron and steel industry," allegedly 86% Canadian controlled in 1963 - and Stelco? What about Massey-Ferguson's, Canadian Breweries' forays into the US markets, and Garfield Weston's into the world's markets, and Brascan, designated Canadian and the largest single imperialist investment in Latin America. And what about the chartered banks? And what about those areas of the economy other than manufacturing and mining that the document says so much public attention to has "tended to conceal or minimize the actual strength and relative weight of Canadian capital, its monopolized and concentrated character"?

Bell (Canada) is a monopoly to be sure - and one of the most hated by Canadians, controlling almost all the telephone systems in Ontario and Quebec, with its manufacturing subsidiary Northern Electric. The latter is 159th on the list of the 300 largest industrials outside of the United States and is called Canadian. Bell (Canada), according to its annual report ending 1971 has total assets of $3.75 billion and shareholders' equity of $1.75 billion. It employs 40,000 workers. Its great boast is that it has more Canadian shareholders than any other company. As they put it - "Over 230,000 Canadians have elected to put their savings to work in the company's and the country's (Canada's) future."

A few facts - Ma Bell operates an employee's saving plan. In July 1970 the company decided to contribute $1 for every $3 an employee contributed - up to 6% of his or her earnings - for which they were given common stock in the company. The 233,976 shareholders are the holders of common stock. As of December 1971 there were another 41,557 holders of preferred stock. In addition the company has issued a great many mortgage bonds - its outstanding long-term debts as of December 1971 amounted to almost $1.75 billion. It is not revealed who owns the mortgage bonds.

If these facts are not known, it was known in 1932 that American Telephone and Telegraph - U S owned and the 5th largest and most powerful corporation in the world - held 24.3% of the total of Bell (Canada) common shares. By 1950 A.T. & T. had let this decline to 9.7% and today it stands at 2%. A.T. & T. is a holding company with managerial authority operating some 20 subsidiary telephone companies. According to J.G. Gouldens in his book Monopoly, "These operating companies and the Bell Telephone Company of Canada (2.5%) provide telephone services and facilities within their respective territories with the aid of the services furnished by A.T. & T."

What is known as the Bell **System** is composed of A.T. & T.'s 100% owned Western Electric, and Bell Telephone Laboratories - owned by Western and A.T. & T. on a 50:50 basis. Western Electric in 1966 had sales of $3.6 billion and was 11th on **Fortune's** list of the 500 largest US manufacturers.

In 1949 in a great fanfare of trust-busting the Truman administration asked the **System** to divest itself of Western Electric. It had been revealed to have exclusive sales rights to 85% of the telephone market and to have grossly overcharged A.T. & T. (with the latter's agreement). Bell (Canada) in February 1957 purchased from Western Electric (US owned) 272,000 common stock shares at their estimated book value of Northern Electric (listed as Canadian-owned).

The board of directors of Bell (Canada) is composed of Henry Borden, J.W. Kerr of Trans-Canada Pipelines, V.0. Marquez of Northern Electric, John Moore of Brascan, G. Rolland of Rolland Paper, and one Kenneth G. McKay who happens to be the vice president of the giant A.T. & T.

It is obvious that Bell (Canada), for all its 239,000 Canadian owners of common stock is nothing but an appendage of the US-owned 5th largest and most powerful corporation in the world.

Anyone who tries to pass off Bell (Canada) as Canadian-owned and furthermore owned by a broad layer of Canadian working people, is a dupe of Bell (Canada)'s, and what we might call the Canadian government's statistical propaganda. Even a superficial examination of the facts proves quite the opposite - that Bell (Canada) is owned by one of the most powerful of all US-owned monopolies. Is the fact that Bell (Canada) is listed as Canadian-owned the reason why the PC majority document can say that foreign ownership in communications is a mere 0.4%? We will investigate this further. There is no question at all that Canada; as an advanced capitalist nation, is imperialist - but is it one of the most powerful imperialist bourgeoisies in the world?

Up until now we have not taken the time to make a concrete analysis of Canadian imperialist investments. Perhaps the best known are those in the West Indies. We solidarized ourselves immediately with the struggle that broke out in Trinidad following the persecution of West Indian students involved in the militant actions at Sir George Williams (College) in Montreal, and the demonstrations that singled out the Canadian banks in Trinidad.

The best source of information is Kari Levitt's book published five years ago on **Canada-West Indies Economic Relations.** Like her more recent book on the US takeover of Canada, entitled **Silent Surrender - the multi-national corporation in Canada,** while not Marxist (although she has CP background) it contains valuable material.

"Canada has more trading investment interests in the Caribbean than in any other part of the underdeveloped world" according to Levitt. She notes that "in the fields of banking, insurance and bauxite-alumina production, Canadian investment not only is significant but is the main portion of investment in each of these particular industries."

What does "Canadian" investment amount to? Levitt sets the figure at $550 million or $1/2 billion. The biggest part of that "Canadian" investment is the exploitation of the vast bauxite deposits in Jamaica and in Guiana. In Jamaica alone "Canadian" investment stands at $160 million. In Guiana it stands at about $100 million, concentrated in mining and port facilities. Elsewhere Levitt estimates "Canadian" investment in bauxite and alumina extraction and processing as standing at $310 million. The company involved is the largest exporter of bauxite in the world (1957).

That company is Alcan. It stands 58 on the list of the 300 largest industrials outside of the US deriving more than 50 per cent of their sales from manufacturing and/or mining and is the first on the list appearing as a Canadian industrial.

However, Alcan is Canadian in name only. It happens to be part of the giant US Mellon empire. Thus, if you subtract Alcan from the so-called Canadian investments in the Caribbean, Canadian investment drops down drastically, to $240 million. This investment in the Caribbean is equal to only two times the amount that the Bank of Commerce recently invested in one piece of real estate in the city of Toronto - Commerce Court.

Before going further in examining that investment we might make a few comments on the nature of the West Indies economy. It is a crisis economy and heading into greater difficulties. It is plagued with massive chronic unemployment and underemployment. One of its major exports for years has been its work force - naturally enough the more skilled elements - for a long time to England and now to Canada. The brain drain to Canada, like the US drain of Canadian

brains, is certainly a feature of imperialist relationships, and in the case of the West Indies it does not make Canadian investors there particularly happy.

According to Levitt "the long term outlook for sugar is questionable," in fact "bauxite is the only commodity where market prospects are not unpromising." Trinidad and Tobago's petroleum production? "Land production has entered a declining phase" which is not compensated for by expansion of marine production.

The land area is suited only to tropical agriculture and is uncompetitive with other countries in the production of bananas, citrus and sugar. It so happens that Canada (possibly to get the bauxite for the US-owned Alcan) is tied in by various agreements, to importing these goods which are actually uncompetitive on the world market. Of Canada's imports from the West Indies in 1964, 42.4% was Jamaican and Guianian bauxite, 39.2% sugar from the same places, and 10% was petroleum from Trinidad and Tobago. Canada takes only three per cent of Trinidad's petroleum, almost entirely in the form of crude oil which Trinidad is now herself an importer of.

What about the West Indies consumer market? There is almost no internal trade between the various islands - almost everything is imported. But alas for Canadian exporters, Canadian trade with the West Indies is very small, amounting to 0.1 and 0.2% of Canada's gross national product. Canada's exports appear to be the same staple products that Canada shipped to the West Indies before the 1900's. Canada sold 15.8% of the fish and fish products and 13.5% of the wheat flour that the West Indies consumes.

Canadian West Indian investments neither profitable nor strategic

West Indies imports increased by 7l% between 1956 and 1961 - but not with Canadian capitalist interests. Since World War II the increase of West Indies trade has largely gone to the US. Whatever benefits Canadian economy accrues through Alcan's exploitation of the West Indies natural resources and labor force is in jeopardy because of Kaiser's, Reynold's and Anaconda's cut in the supply that accounts for some 90% of the total bauxite and alumina requirements of the North American aluminum industry. US imperialism is moving in - they account for 80% of the direct investment that has taken place since the 1950's. The Canadian capitalists don't derive any significant export or import trade with the West Indies.

What role then does the real Canadian capitalist investment of some $240 million in the Caribbean play? According to Levitt there is $100 million in mortgages, government securities, loans and other assets held by banking and insurance companies, $20 million in electric and other utilities, $10 million in cultivation and manufacture of sugar and citrus products, $5-10 million in secondary manufacturing, and the rest, that is $100 million, is in hotels and similar enterprises.

While these holdings result in a brutal exploitation of the West Indies peoples, as a form of imperialist investment they are in the marginal areas of the economy, and are non-strategic, and non-growth.

Canadian investment is in bank capital, it controls the banking system in the West Indies. According to Levitt, Canadian banks dominate commercial banking in the most developed area - Jamaica.

The Bank of Nova Scotia and Barclay's Bank control commercial banking. Half of the 24 life insurance companies in the area are Canadian and they get 70% of the business. But what business - in this badly underdeveloped, resources-pillaged non-manufacturing economy! Canadian capitalism plays the classical role of pulling together the savings of the local population, loaning funds for small undertakings at usurious rates and transferring the profits to other areas of the globe where they can be invested more profitably.

According to Levitt there is some evidence that recently there has been a reversa1 of the tendency of the Canadian life insurance companies to invest West Indies savings in Canada. This reversal has apparently been induced by local government pressure - both moral suasion and legislation. Already involved in real estate, they have become involved in tourism where they are meeting heavy US competition.

All in all Canadian investment in the West Indies, while it appears to have been an important area for primary accumulation of capital for Canada as it was for Britain, is no longer highly profitable or strategic. In fact, the nature of the investment and Ottawa's longstanding involvement in West Indies internal affairs in extending and defending these

interests has tended to trap it into functioning as a service agency for the major investors there …for Alcan (the most profitable and strategic "Canadian" though completely US investment) and for the growing US investment, pushed out of Cuba, nervous about the Dominican Republic and Guiana, that is moving into the area. These are not exactly attributes of a bourgeoisie that is said to be among the most powerful imperialist bourgeoisies of the world - but a bourgeoisie, while with distinct interests of its own - at least in this part of the globe - is in fact a very junior partner of a much greater power - US imperialism. This short discourse on Canadian capitalism's imperialist interests in the West Indies, where it has "more trading and investment interests than in any other part of the underdeveloped part of the world" compels us to make very critical investigation to ascertain the truth about private Canadian long-term direct investment and portfolio investment abroad - to ascertain if it really is "Canadian" as the PC majority claims.

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